
Director
Corporate Tax Policy Unit
Treasury
Langton Cres
Parkes ACT 2600

By email: frankeddistconsult@treasury.gov.au

Dear Director,

Thank you for the opportunity to submit a response to the consultation on the proposed legislation relating to Franked Distributions and Capital Raising.

I object to the proposed legislation changes.

The proposed retrospective nature of the proposal is grossly inequitable and sets precedence with respect to future legislation. The principle of any equitable law is that it should not apply retrospective obligations due to a change in law.

The draft legislation fails to recognise the fundamental principle underlying the franking regime and the reason for its creation, the avoidance of double taxation on company earnings.

I believe the draft legislation is inequitable to Australian companies and shareholders and it could inadvertently impact situations of legitimate company operations.

The Franked Distribution and Capital Raising draft legislation, if widely applied, will contribute to the demise of the franking system. It will stop Australian companies who issue new shares under a Dividend Reinvestment Plan (DRP) from paying franked dividends and significantly increase the cost of capital for all

franked dividend paying Australian companies.

As an example, the banking sector has historically been required to raise capital to maintain liquidity. The proposed move will inhibit effective capital raising during challenging economic periods impacting the stability and integrity of the Australian banking system

If passed, its application would also unfairly burden Australian investors with retrospective tax debts, to be paid at a time of economic uncertainty. Now is not the time to impose a burden of assessing and funding retrospective debt .

Yours sincerely,
Edwin Fagan